Saskatchewan
Finance

Annual Report 2001

Extended Health Care Plan

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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the sixth Annual Report of the Extended Health Care Plan for the year ending December 31, 2001.

I have the honour to be, Madam,

Your obedient servant,

Eric Cline
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

The Honourable Eric Cline
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the sixth Annual Report of the Extended Health Care Plan for the year ending December 31, 2001.

Respectfully submitted,

Brian Smith
Executive Director

INTRODUCTION

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to certain SGEU and CUPE-600 employees.

As at December 31, 2001, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of SGEU or CUPE-600.

OPERATION OF THE PLAN

ADMINISTRATION

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. The Joint Board of Trustees is responsible for the management and investment of the Fund. The Joint Board of Trustees consists of 4 union members and 4 employer representatives as appointed by the Saskatchewan Public Service Commission and the unions.

The Plan pays premiums to Group Medical Services who provide insured extended health coverage. The Plan's risk is limited to the payment of premiums.

FUNDING

Separate funding agreements are in effect for both SGEU and CUPE-600 employees.

Funding for SGEU members covered is:

- the employer will contribute 1.03% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees

- effective October 1, 2001, the employer will contribute 1.28% of straight time annual payroll

- the employer will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:

  - effective September 30, 1996 - 0.07% of straight time annual payroll;
  - effective September 30, 1997 - 0.37% of straight time annual payroll;
  - effective October 1, 1999 - 0.47% of straight time annual payroll.

Funding for CUPE-600 members covered is:

- the employer will contribute 1.08% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees

- effective September 30, 1997, the employer will contribute 1.23% of straight time annual payroll

- the employees covered by the PSC/CUPE-600 Collective Agreement will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:

  - effective September 30, 1996 - 0.07% of straight time annual payroll; plus
  - the amount required to make up the difference between the employer's contributions and the cost of monthly premiums for eligible employees, up to 0.15% of straight time annual payroll;
  - effective September 30, 1997, the employer will contribute to the Benefit Plan Surplus fund a further .30% of straight time payroll. In addition, the employer pays the original .07% of straight time payroll previously paid by the employees.
  - effective December 20, 1999, the employer will fund at an annual rate of 0.82% of straight time annual payroll.

BENEFITS

An employee is eligible for benefits at the start of the pay period immediately following a 6 month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

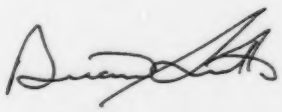
As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for the year ended December 31, 2001 and the Provincial Auditor's report on these financial statements.



Brian Smith
Executive Director
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Regina, Saskatchewan
February 14, 2002

EXTENDED HEALTH CARE PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statements of financial position of the Extended Health Care Plan as at December 31, 2001 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 14, 2002

Fred Wendel, CMA, CA
Acting Provincial Auditor

EXTENDED HEALTH CARE PLAN
STATEMENT OF FINANCIAL POSITION

STATEMENT 1

AS AT DECEMBER 31

	2001				2000
	Extended Health Care Fund	SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
ASSETS					
Due from General Revenue Fund (Note 3)	$ -	$11,859,982	$ 432,132	$12,292,114	$ 6,606,631
Employer contributions receivable	541,732	116,016	12,764	670,512	441,968
Prepaid insurance premiums	530,083	-	-	530,083	-
	$ 1,071,815	$11,975,998	$ 444,896	$13,492,709	$ 7,048,599
LIABILITIES					
Liabilities:					
Due to General Revenue Fund (Note 3)	$ 5,522,204	$ -	$ -	$ 5,522,204	$ 2,613,179
Accounts payable (Note 6)	37,438	-	-	37,438	18,395
Advance from General Revenue Fund (Note 4)	275,000	-	-	275,000	275,000
	$ 5,834,642	-	-	$ 5,834,642	$ 2,906,574
Net assets (deficit) (Statement 2)	$(4,762,827)	$11,975,998	$ 444,896	$ 7,658,067	$ 4,142,025

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
STATEMENT OF OPERATIONS AND NET ASSETS

STATEMENT 2

FOR THE YEAR ENDED DECEMBER 31

	2001					2000
	Budget	Extended Health Care Fund	SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
REVENUES	(Note 7)					(Note 8)
Employer contributions	$ 5,125,000	$ 4,218,075	$ 1,707,606	$142,928	$ 6,068,609	$5,026,121
Additional contributions (Note 1)	-	-	3,500,000	-	3,500,000	-
Interest (Note 3)	180,000	-	308,145	14,476	322,621	307,343
	5,305,000	4,218,075	5,515,751	157,404	9,891,230	5,333,464
EXPENSES						
Insurance premiums	5,812,000	6,119,878	-	-	6,119,878	5,053,139
Interest (Note 3)	-	167,511	-	-	167,511	104,129
Administration	106,697	87,799	-	-	87,799	70,698
	5,918,697	6,375,188	-	-	6,375,188	5,227,966
Surplus (deficit) for the year	(613,697)	(2,157,113)	5,515,751	157,404	3,516,042	105,498
NET ASSETS (DEFICIT), BEGINNING OF YEAR	4,142,025	(2,605,714)	6,460,247	287,492	4,142,025	4,036,527
NET ASSETS (DEFICIT), END OF YEAR – to Statement 1	$3,528,328	$(4,762,827)	$11,975,998	$444,896	$7,658,067	$4,142,025

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
STATEMENT OF CASH FLOWS

STATEMENT 3

FOR THE YEAR ENDED DECEMBER 31

	2001				2000
	Extended Health Care Fund	SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
Cash flows from operating activities:					
Employer contributions received	$ 3,977,128	$ 5,220,576	$142,286	$ 9,339,990	$ 4,993,566
Interest (paid) received	(167,511)	308,145	14,476	155,110	203,214
Insurance premiums paid	(6,626,822)	-	-	(6,626,822)	(4,662,117)
Administration expense paid	(91,820)	-	-	(91,820)	(57,545)
Net increase in cash	(2,909,025)	5,528,721	156,762	2,776,458	477,118
CASH, BEGINNING OF YEAR	(2,613,179)	6,331,261	275,370	3,993,452	3,516,334
CASH, END OF YEAR	$(5,522,204)	$11,859,982	$ 432,132	$ 6,769,910	$ 3,993,452
Cash consists of:					
Due from General Revenue Fund	$ -	$11,859,982	$ 432,132	$12,292,114	$ 6,606,631
Due to General Revenue Fund	(5,522,204)	-	-	(5,522,204)	(2,613,179)
	$ (5,522,204)	$11,859,982	$ 432,132	$ 6,769,910	$ 3,993,452

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain union employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600-3 (CUPE) Benefit Plans' Surplus Fund.

Extended Health Care Fund

The Extended Health Care Fund receives contributions from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. Effective October 1, 2001, the contribution rate increased to 1.28% of regular pay (1.03% of regular pay from January 1, 2001 to October 1, 2001) for SGEU members. The contribution rate is 1.23% of regular pay for CUPE members. The contribution rates are established pursuant to SGEU and CUPE collective bargaining agreements.

The Plan pays premiums out of the Extended Health Care Fund to Group Medical Services who provide extended health coverage to plan members as outlined in an agreement. The Plan's risk is limited to the payment of these premiums. The Government through the Minister of Finance entered into an agreement with Group Medical Services for a period of 2 years until December 31, 2001. The parties to this agreement are currently negotiating to renew the agreement to December 31, 2003.

Benefit Plans' Surplus Funds

The SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund (Surplus Funds) were established to meet the terms of the SGEU collective bargaining agreement and the CUPE collective bargaining agreement. The Surplus Funds receive contributions from employers whose participation in the plan has been approved by the Lieutenant Governor in Council per Order-in-Council 317/2000. The contribution rates are as follows:

- .47% of regular pay of SGEU members
- .82% of regular pay of CUPE members

The SGEU Collective Agreement also required a one-time lump sum contribution of $2,000,000 from the SGEU employers. The SGEU Benefit Plans' Surplus Fund received this lump sum contribution in October 1999 from the Minister of Finance.

The SGEU Benefit Plans' Surplus Fund, pursuant to the SGEU collective bargaining agreement, required an additional payment of $3,500,000 from the SGEU employers relating to October 1, 2000 to September 8, 2001 retroactive pay. The SGEU Benefit Plans' Surplus Fund received this lump sum contribution in December 2001 from the Minister of Finance.

The purpose of the Surplus Funds is to offset cost increases arising from extended health care benefits and future dental plan enhancements. Enhanced dental benefits are provided to SGEU and CUPE members through the Public Employees Dental Fund (PEDF). As PEDF is currently in a surplus position, no funds have been transferred from the Surplus Funds to offset cost increases of

dental plan enhancements. The Surplus Funds are administered under directions from the Joint Board of Trustees, made up of equal representation of union members and employers' representatives. The Joint Board of Trustees must approve the use of the net assets of the Surplus Funds. During the year, the Joint Board of Trustees did not approve any transfers to offset cost increases for extended health care benefits or future dental plan enhancements.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

3. Due from/to General Revenue Fund

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Funds are commingled in one bank account. However, the amount due from/to General Revenue Fund to the Benefit Plans' Surplus Funds and from the Extended Health Care Fund are accounted for and shown separately on the Statement of Financial Position. The interest income and interest expense are determined as outlined below.

The Plan's bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the fund's average daily bank account balance. The Government's average thirty day borrowing rate in 2001 was 4.26% (2000 - 5.5%).

4. Advance from General Revenue Fund

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance is required because the Plan must pay premiums at the beginning of each month and employer contributions are not received until after the end of each month.

The advance is interest-free with no fixed maturity date.

5. Financial Instruments

The Plan's financial instruments include due from/to General Revenue Fund, employer contributions receivable, prepaid insurance premiums, accounts payable and advance from General Revenue Fund. Due to the immediate or short-term nature of these items, the fair value of these instruments approximates carrying value.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and contributions receivable are from related parties.

The Plan is managed by the Public Employees Benefits Agency (PEBA). The PEBA Revolving Fund charged the Plan $87,799 (2000 - $64,548) for administration.

Included in accounts payable is $27,769 due to the Extended Health Care Plan for Certain Other Employees (EHCP-COE). The amount represents health care premiums that were paid by EHCP-COE for those employees who moved to this plan on May 1, 2001.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Budget

The Public Employees Benefits Agency prepares and approves the budget.

8. Comparative Figures

Certain comparative figures have been restated to conform with the current year's financial statement presentation.

9. Subsequent Event

Under the Order-in-Council 6/2002 effective January 15, 2002, the Extended Health Care Plan for Retired Employees (retiree plan) was designated as a benefit program to be established, operated, administered and managed by the Public Employees Benefits Agency. Pursuant to a Letter of Understanding dated October 12, 2001 between SGEU and the Government, the SGEU Benefit Plans' Surplus Fund will pay premiums and administrative costs on a temporary basis for SGEU members who join the retiree plan. These amounts will be paid from January 1, 2002 to October 31, 2003 with the understanding that the SGEU Benefit Plans' Surplus Fund will be reimbursed with interest as soon as reasonably possible. Pursuant to a Letter of Understanding dated October 15, 2001 between CUPE and the Government, the CUPE Benefit Plans' Surplus Fund will pay all administrative costs for CUPE members who join the retiree plan on an ongoing basis but premiums will be funded entirely by the retirees.